

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: March 30, 2004

To: The Commission
(Meeting of April 1, 2004)

From: Alan LoFaso, Director
Office of Governmental Affairs (OGA) — Sacramento

**Subject: AB 2803 (Horton): Public Utilities Commission: Office of
Economic Development.**
As Amended March 26, 2004

Recommendation:

Summary: This bill would establish an Office of Economic Development within the Commission.

Digest: Existing law, Cal. Const. art. XII, sec. 2, empowers the Commission to establish its own procedures, subject to statute and due process.

Existing law, P.U. Code sec. 321.1, states legislative intent that the Commission assess the economic effects or consequences of its decisions as part of each ratemaking, rulemaking, or other proceeding, using existing resources and within existing Commission structures. Existing law further prohibits the Commission from establishing a separate office or department to evaluate the economic development consequences of its activities.

This bill would establish an Office of Economic Development within the Commission to review and assess the beneficial and adverse economic impacts of Commission decisions and with the goal of assisting the Commission in making decisions that will promote economic development.

This bill would define “adverse” and “beneficial” economic impacts.

This bill would also repeal P.U. Code sec. 321.1.

Analysis: Collectively, the Commission regulates public utilities with annual revenues of

over \$40 billion/year. These utilities undertake annual capital investments of several billion dollars annually. Through its oversight and regulatory functions, the Commission has significant influence over how these investments are made. In some cases, this is done through direct regulation (i.e the Commission directing a utility to make necessary investments). In other industries that have been opened up to greater competition, the Commission has established a regulatory regime that serves as a platform for private investment (i.e. opening the local telephone market to competition).

The effect of Commission regulation in promoting economic development is substantial. Critical to the success of any business is the provision of adequate infrastructure such as reliable electric, gas, and water service as well as access to a telecommunications infrastructure capable of supporting today's high-technology requirements. For many manufacturing industries, efficient railroad transportation is equally important.

The siting, provision, and location of public utility services is also a key component in community economic development. The Commission's oversight of railroad grade crossings also can affect and promote community development by alleviating traffic and safety concerns.

Equally important, the cost of public utility services is an input factor in economic decisions of businesses to expand/relocate within California. Given the higher energy rates imposed upon California to deal with the after-effects of restructuring, California's electric rates are not competitive with those of most other states. Ensuring that rates are reasonable for the other industries the Commission regulates is also important.

Despite the significant effect that Commission regulation has on economic development within California, there is currently no single entity responsible for coordinating these activities and ensuring that economic development concerns are being fully considered in formal matters before the Commission.

This bill would establish such an entity responsible for reviewing, understanding, and coordinating economic development implications of Commission actions.

To improve existing activities, the consideration of economic development impacts would need to occur in the initial scoping of a proceeding, supporting record-based decision making. As currently written, the bill emphasizes considering economic development impacts in *decisions*. To effectuate that emphasis, economic development impacts will need to be considered in the initial scoping of a proceeding and throughout the record, upon which Commission decisions must be based.

The Commission's Division of Strategic Planning developed this analysis.

LEGISLATIVE HISTORY

AB 2803 was introduced on February 20, 2004, and referred to the Assembly Utilities and Commerce and Jobs, Economic Development, and the Economy Committees on March 15.

SUPPORT/OPPOSITION

Support: California Chamber of Commerce.

Opposition: None on file.

LEGISLATIVE STAFF CONTACT

Alan LoFaso, Legislative Director
CPUC-OGA

alo@cpuc.ca.gov
(916) 327-7788

Date: March 30, 2004

BILL LANGUAGE:

BILL NUMBER: AB 2803 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY MARCH 26, 2004

INTRODUCED BY Assembly Member Jerome Horton

FEBRUARY 20, 2004

An act to ~~add Sections 309.4 to~~ amend
Section 321.1 of, and to add Section 309.4 to, the Public
Utilities Code, relating to the Public Utilities Commission.

LEGISLATIVE COUNSEL'S DIGEST

AB 2803, as amended, Jerome Horton. Public Utilities Commission:
Office of Economic Development.

Under existing law, the Public Utilities Commission has regulatory
authority over public utilities. Existing law establishes a
division within the Public Utilities Commission, known as the Office
of Ratepayer Advocates, to represent the interests of public utility
customers and subscribers, with the goal of obtaining the lowest
possible rate for service consistent with reliable and safe service
levels. *Existing law states the intent of the Legislature that
the commission assess the economic effects or consequences of its
decisions within existing resources and commission structures, and
prohibits the commission from establishing a separate office or
department for the purpose of evaluating economic development
consequences of commission activities.*

This bill would delete the prohibition upon the commission
establishing a separate office or department for the purpose of
evaluating economic development consequences of commission activities
and would establish the Office of Economic Development as a
division within the commission to review and assess the beneficial
and adverse economic impacts, as defined, intended and unintended, of
commission decisions and orders in commission ~~proceeding~~
proceedings . The goal of the office would be
to assist the commission in making decisions that will promote
economic development and to avoid making decisions that will suppress
economic development.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 309.4 is added to the Public Utilities Code, to
read:

309.4. (a) There shall be established within the commission, a
division named the Office of Economic Development, which shall review
and assess the beneficial and adverse economic impacts, intended and
unintended, of commission decisions and orders in commission
proceedings. The goal of the Office of Economic Development is to

assist the commission in making decisions that will promote economic development and to avoid making decisions that will suppress economic development.

(b) For purposes of this section:

(1) "Adverse economic impacts" includes increasing costs, raising prices, loss of jobs or employment opportunities, reducing technological innovation or investment in technological innovation, reducing investment in infrastructure to serve consumers, and reducing consumer choices and options.

(2) "Beneficial economic impacts" include increased efficiency, reduced costs, reduced prices, technological innovation, increased employment, increased consumer choices, and increased information reasonably available to consumers to make informed choices.

SEC. 2. Section 321.1 of the Public Utilities Code is amended to read:

321.1. It is the intent of the Legislature that the commission assess the economic effects or consequences of its decisions as part of each ratemaking, rulemaking, or other proceeding, and that this be accomplished using existing resources and within existing commission structures. ~~The commission shall not establish a separate office or department for the purpose of evaluating economic development consequences of commission activities.~~